

**PUBLIC DISCLOSURE**

September 15, 2004

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**WALPOLE COOPERATIVE BANK**

982 MAIN STREET  
WALPOLE, MA 02081

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **WALPOLE CO-OPERATIVE BANK** (or the "Bank") prepared by the Division, the institution's supervisory agency, as of **SEPTEMBER 15, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The Bank's overall Satisfactory rating was based on three performance criteria: the Lending Test, the Investment Test, and the Service Test and covers the period January 1, 2002 through December 31, 2003. The Bank's performance in each of these areas is summarized below.

Under the Lending Test, the Bank is assigned an overall "Satisfactory". Approximately, 81.1 percent of the mortgage loans and 85.0 percent of the small business loans were made in the assessment area. Lending was well distributed throughout the assessment area. The Bank's distribution of its home mortgage loans among borrowers of different income levels was adequate given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act ("HMDA") reporters within the assessment area. The Bank offers a vast array of flexible loan products to both residential and small business customers.

Under the Investment Test, the Bank is rated "Satisfactory". The Bank has provided a adequate level of qualified investments and has exhibited a reasonable responsiveness to credit and community development needs.

Under the Service Test, the Bank is rated "Satisfactory". The Bank has demonstrated an adequate responsiveness in providing qualified community development services as are defined by the CRA regulation. Walpole Co-operative Bank offers services and products tailored to meet the convenience and needs of the entire assessment area.

## LENDING, INVESTMENT, AND SERVICE TEST TABLE

<b>PERFORMANCE TESTS</b> <b>Walpole Cooperative Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Walpole Co-operative Bank is a mutually insured savings bank headquartered in Walpole, Massachusetts. The Bank's main and only office is located in downtown Walpole at 982 Main Street. Walpole Co-operative Bank operates a wholly owned subsidiary, WCB Securities Corporation, which was formed to hold securities for the Bank.

As of its June 30, 2004 Federal Deposit Insurance Corporation ("FDIC") quarterly call report, Walpole Co-operative Bank had \$294,306,000 in assets. Of these total assets, approximately \$215,083,000 or 73.3 percent were in the form of loans.

The composition of the Bank's loan portfolio consists of mortgage loans, commercial real estate loans, commercial and industrial loans and construction and land development. Business and commercial lending is provided through commercial loans and lines of credit. Refer to the following table for the distribution of the Bank's loan portfolio.

#### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
Commercial Properties	86,576	40.2
Construction and Land Development	54,988	25.6
One to Four-Family Residential Mortgages	38,363	17.8
Equity Lines of Credit	15,543	7.2
Commercial and Industrial	14,302	6.6
Multifamily (5 or more dwellings)	5,127	2.4
Consumer	424	0.2
Other Loans	38	0.0
Less: unearned income	(278)	-
<b>Total Gross Loans</b>	<b>215,083</b>	<b>100.0%</b>

Source: June 30, 2004 Report of Condition.

Walpole Co-operative Bank is a portfolio lender and it also sells loans on the secondary market. In 2002, the Bank sold 64 loans totaling 8,624,700; in 2003, the Bank sold 107 loans totaling \$15,797,400.

The main office offers an Automated Teller Machine ("ATM") that is linked to the NYCE network. The Bank also belongs to SUM, an alliance of community banks, which do not invoke ATM surcharges for customers of banks who are also members of the alliance.

Walpole Co-operative operates in a highly competitive market. The Bank's competition consists of several local banks, credit unions, a branch network of national banks and a number of mortgage companies throughout the assessment area. The local banks that compete directly with Walpole Co-operative Bank are Benjamin Franklin Savings Bank, Needham Co-operative Bank, Strata Bank, Norwood Co-operative Bank, and Randolph Savings Bank. The market influence from these entities appears to be significant, and as a result, serves to keep the Bank's rates and services offered very competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2002 aggregate performance data, indicates 471 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area.

There are no significant financial or legal impediments, which limit the Bank's ability to help meet the credit needs of the community. The Bank's most recent CRA evaluation, performed by the FDIC as of March 20, 2002 assigned a rating of "Satisfactory". The previous evaluation performed by the Division as of January 28, 1999 assigned a rating of "Satisfactory". This is the Bank's first examination as a large institution.

### **Description of Assessment Area**

CRA requires a financial institution to identify one or more assessment areas which it intends to help meet the area's credit needs. Walpole Co-operative Bank's assessment area includes the following nineteen Massachusetts cities and towns: Bellingham, Canton, Dover, Dedham, Franklin, Foxboro, Mansfield, Medway, Medfield, Millis, Needham, Norfolk, Norwood, Plainville, Sharon, Walpole, Westwood, Wrentham, and Wellesley. All of the communities are located within Norfolk County in the Boston Metropolitan Statistical Area ("MSA") with the exception of Mansfield which is located in Bristol County in the Boston MSA.

According to 1990 census data, Walpole Co-operative Bank's assessment area, had 107,536 housing units of which, 74 percent are owner-occupied, 23 percent are rental occupied units and 3 percent are vacant housing units. One to four family properties comprise 86 percent of the total housing units.

Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area consists of 57 census tracts: 1 (1.8 percent) low-income, 1 (1.8 percent) moderate-income, 26 (45.6 percent) middle-income and 27 (47.4 percent) upper-income, and 2 (3.4 percent) as NA. The low-income census tract is located in the Town of Bellingham and contains only eight households and was excluded from the analysis. Additionally, the two tracts listed as NA, were excluded as well. One of the tracts, located in Wrentham, was the site of a former state hospital.

The median home value of the assessment area is \$210,682 based on 1990 US Census Data. A more recent figure was obtained using figures from the Warren Group.com, publisher of the Bankers & Tradesman publication using sales statistics through September 2004. The median selling price for a home in the assessment area was \$387,500. Prices in the assessment area ranged from a low of \$304,950 in the Towns of Medway and Millis to a high of \$1,375,000 in the Town of Dover. Overall, the median prices of homes have increased 19.0 percent in the assessment area versus the same period last year. Some of the towns have seen the median sales price fall from the same period a year ago, while some towns continue to see double-digit gains.

Please refer to the table below regarding other housing characteristics.

<b>Selected Housing Characteristics by Income Category of the Geography</b>						
<b>Geographic Income Category</b>	<b>Percentage</b>					
	<b>Census Tracts</b>	<b>House holds</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Renter Occupied Units</b>	<b>Vacant Units</b>
<b>Low</b>	1.8%	<0.1%	0.0%	0.0%	<0.1%	0.0%
<b>Moderate</b>	1.8%	0.1%	0.1%	0.0%	0.5%	0.0%
<b>Middle</b>	45.6%	55.6%	56.2%	51.0%	71.0%	68.7%
<b>Upper</b>	47.4%	44.2%	43.7%	49.0%	28.4%	31.3%
<b>NA</b>	3.4%	-	-	-	-	-
<b>Total or Median</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1990 U.S. Census

The median family incomes for the Boston MSA for 2002 and 2003 are \$74,200, and \$80,800, respectively. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

### Change in Demographics-2000 Census Information

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Walpole Co-operative Bank's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

<b>Change in Assessment Area Demographics</b>					
<b>Census Tracts</b>	<b>1990 Census Data</b>		<b>2000 Census Data</b>		<b>% Change in Number of Census Tracts</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
<b>Low</b>	1	1.8	0	0.0	100.0
<b>Moderate</b>	1	1.8	0	0.0	100.0
<b>Middle</b>	26	45.6	25	43.1	- 3.9
<b>Upper</b>	27	47.4	33	56.9	22.2
<b>NA</b>	2	3.4	0	0.0	100.0
<b>Total</b>	57	100.0	58	100.0	1.8

Source: PCI Services, Inc., CRA Wiz Software.

As is shown in the above table, the Bank no longer has any low, moderate, or NA tracts in the assessment area. In addition, the majority of the tracts are now considered upper-income. Overall, the Bank gained one census tract since the 1990 census data.

According to 2000 census data, in Walpole Co-operative Bank's assessment area, there are 121,367 housing units within the assessment area, of which 77 percent are owner-occupied, 21 percent are rental occupied units and 2 percent are vacant housing units. One to four family properties comprise 87 percent of the total housing units.

Please refer to the table below regarding other housing characteristics.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>						
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>					
	<b><i>Census Tracts</i></b>	<b><i>House holds</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner-Occupied</i></b>	<b><i>Occupied Rental Units</i></b>	<b><i>Vacant Units</i></b>
<b><i>Low</i></b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><i>Moderate</i></b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><i>Middle</i></b>	43.0%	49.0%	49.1%	44.1%	67.5%	52.5%
<b><i>Upper</i></b>	57.0%	51.0%	50.9%	55.9%	32.5%	47.5%
<b><i>NA</i></b>	0.0%	-	-	-	-	-
<b><i>Total or Median</i></b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2000 U.S. Census

Unemployment figures were obtained for the assessment area. As of September 30, 2004 the assessment area had an unemployment rate of 3.4 percent. The Town of Bellingham had the highest rate while the Town of Dedham had the lowest. The assessment's area's unemployment rate was lower than the statewide average of 4.6 percent.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory". The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its small business, residential mortgage, and community development loans. Residential mortgage and small business loans originated during 2002 and 2003 were included in the Bank's performance.

The data used to evaluate the Bank's lending was derived from the Home Mortgage Disclosure Act/ Loan Application Register ("HMDA/LAR"), small business loan register, and the Bank's community development loan register. The Bank's internal analysis was used to compile the figures for its small business lending in 2002. In addition, because the Bank was not required to track or submit its small business information electronically, the Federal Financial Institution Examination Council ("FFIEC") Core Tables will only reflect the Bank's small business lending in 2003.

#### *I. Lending Activity*

Walpole Co-operative Bank's lending activity and record of extending credit were reviewed during the course of the examination.

As of June 30, 2004 the net loan to deposit ratio was 90.6 percent. This ratio has increased significantly from 77.2 percent on June 30, 2003. The increase in this ratio is a result of deposits increasing by 2.0% while net loans increased by 20.0%. The reason for this increase can be attributed to a larger than anticipated commercial loan volume.

The Bank's net loans and leases as a percent of assets, as reported in the June 30, 2004, Uniform Bank Performance Report ("UBPR"), was 71.28 percent. The peer group's net loan to asset ratio was 62.90 percent, placing the bank in the 70th percentile. The Bank's ratio is higher than the peer ratio; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Walpole Co-operative Bank's LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated and purchased 317 HMDA-reportable loans totaling \$56.2 million. Of this amount, 257 loans, or 81.1 percent of the number and \$46.7 million or 83.1 percent of the dollar volume was originated in the Bank's assessment area.

By number, Walpole, accounted for the largest number of originations with 41.3 percent, followed by Norwood with 7.9 percent. Walpole also accounted for the largest dollar volume of originations with 37.9 percent, followed by Norfolk with 7.0 percent. Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

<b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2002</b>	117	79.6%	20,344	81.6%	30	20.4%	4,594	18.4%
<b>2003</b>	140	82.4%	26,392	84.3%	30	17.6%	4,915	15.7%
<b>Total</b>	257	81.1%	46,736	83.1%	60	46.4%	9,509	16.9%

Source: HMDA/LAR, CRA Wiz

The top three lenders in the assessment area were Washington Mutual Bank, FA with a 9.17 percent market share, Fleet National Bank with a 6.93 percent market share, and Countrywide Home Loans with a 6.11 percent share of the market. This level of competition and the market environment further supports that the bank's lending activity is considered good.

### Small Business Lending

Walpole Co-operative Bank's Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated 194 small business loans totaling \$30.6 million during this period. A total of 165 loans totaling \$25.1 million were originated to businesses within the Bank's assessment area, representing 85.0 percent by number and 81.8 percent by dollar volume. Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

<b>Distribution of Small Business Loans Inside and Outside of the Assessment Area</b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2002</b>	63	78.8%	9,132	79.5%	17	21.2%	2,359	20.5%
<b>2003</b>	102	89.5%	15,968	83.2%	12	10.5%	3,229	16.8%
<b>Total</b>	165	85.0%	25,100	81.8%	29	15.0%	5,588	18.2%

Source: CRA Data Collection

As shown in the above tables, the small business loan distribution reflects a good responsiveness to the assessment area's credit needs.

The Bank's geographic distribution of residential and small business loans are considered good.

## ***II. Geographic Distribution of Loans***

### **Residential Mortgage Lending**

FFIEC Table 2a shows the geographic distribution of home purchase loans. This table reflects a penetration throughout the assessment area's census tracts. The Bank originated 37 home purchase loans in 2002 and 2003. The highest percentage of loans was originated within the area's middle-income census tracts in 2002 with 57.89 percent of the total number of home purchases and 61.11 percent in 2003 in the area's upper-income census tracts. This loan volume is appropriate considering the high number of middle and upper-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts.

FFIEC Table 3a shows the geographic distribution of home improvement loans. The Bank did not originate any home improvement loans during the examination time frame. Therefore, an analysis was not conducted.

FFIEC Table 4a shows the geographic distribution of home mortgage refinance loans. The Bank originated 97 loans in 2002 and 120 loans in 2003. The Bank originated the highest percent of loans in the middle-income census tracts in 2002 with 60.82 percent. The Bank originated 39.18 percent of its loans in upper-income tracts in this year as well. In 2003, the Bank originated the highest percentage of loans in upper-income census tracts with 60.83 percent followed by middle-income census tracts with 39.17 percent. This change in loan volume between middle and upper-income census tracts between 2002 and 2003 is appropriate considering the shift in the demographics of the assessment area from a high percentage of owner-occupied housing units in middle-income census tracts in 2002 to a high percentage of owner-occupied units in upper-income census tracts in 2003. When compared to the aggregate information for 2002 and 2003, the Bank was consistent with aggregate information.

FFIEC Table 5a shows the geographic distribution of multifamily loans. The Bank only originated 3 loans for the period under review. All of the loans were originated in middle or upper-income census tracts. Therefore, an analysis of this category for the Bank is limited.

### **Small Business Lending**

FFIEC Table 6a shows the geographic distribution of small loans to businesses. The Bank originated the majority of its small business loans in middle-income tracts for the period under review which is in line with the percentage of businesses located in middle-income census tracts. The geographic distribution of small business loans was also compared to all other small business lenders in the county. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this

analysis relates to calendar year 2003. The bank's lending data when compared to the aggregate is similar.

FFIEC Table 7a geographic distribution of small loans to farms was excluded from the analysis due to the urban nature of the Bank's assessment area. The Bank did not originate any small farm loans.

To summarize, the geographic distribution of the Bank's lending is strongest in the middle-and upper-income census tracts where all of the census tracts, housing units, and businesses are located, as well as the highest levels of aggregate lending.

### ***III. Distribution of Loans by Borrower Income***

#### **Residential Mortgage Lending**

This factor assesses how well the Bank is addressing the credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on Walpole Co-operative Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. Information on the HMDA\LARs concerning residential mortgage lending shows an adequate distribution of loans among all income levels, including both low- and moderate-income categories.

FFIEC Table 8a shows borrower distribution of home purchase loans. The Bank originated 19 loans in 2002 and 18 loans in 2003. The upper-income borrowers accounted for the single greatest share of home purchase loans originated at 88.24 percent in 2002 and 41.18 percent for 2003. The high percentage of loans to upper-income borrowers is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was much less with 5.88 percent of the total in 2002, but increased to 41.18% for 2003. Loans originated to moderate-income borrowers were below the number of family households for both years and well below 2002 and 2003 aggregate lending. The Bank originated 5.88 percent in 2002 and no loans were originated to moderate-income borrowers in 2003. Lending to low-income borrowers was mixed with no loans originated in 2002, but 17.65 percent for 2003. The Bank's lending to low-income borrowers in 2003 was significantly greater than the percentage of low-income families and was much higher than aggregate lenders who only originated 3.89 percent.

FFIEC Table 9a shows the borrower distribution of home improvement loans. The Bank did not originate any home improvement loans during the examination time period. Again, many borrowers use home equity loans to finance their home improvement needs. Therefore, analysis of this category is limited.

FFIEC Table 10a shows the borrower distribution of home mortgage refinance loans. The bank originated 217 loans in 2002 and 2003. Upper-income borrowers accounted for the single greatest share of home mortgage refinance loans originated at 51.58 percent of total volume in 2002 and 45.69 for 2003. The high percentage of loans to upper-income family households is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was similar to the percentage of middle-income family

households in the assessment area and slightly lower than the aggregate for 2002 and 2003. Loans originated to moderate-income borrowers were higher than the percentage of moderate-income family households and higher than the aggregate in 2002 and 2003. Lending to low-income borrowers was minimal with refinance lending activity at 8.42 percent in 2002 and 5.17 percent for 2003. Loans originated to low-income borrowers were slightly lower than the percentage of low-income family households, but slightly higher than the 2002 and 2003 aggregate data for this income category.

#### Small Business Lending

FFIEC Table 11a shows the borrower distribution of small loans to businesses. The Bank has a good record of originating small business loans to business with gross annual revenues under \$1 million. During the review period, the Bank originated 165 small business loans in its assessment area. In 2002, 57.12 percent and 54.90 percent in 2003 were originated to business with revenues under one million dollars. These percentages are below the 64.28 percent of all businesses that are located within the county. Loan size is another consideration for analyzing lending performance to small businesses. The Bank had a good record of lending to small businesses with loan amounts less than \$100,000. Loans less than \$100,000 accounted for 61.90 percent in 2002, and 60.78 percent in 2003.

To summarize, the borrower distribution of the Bank's lending shows that a minimal portion of its home mortgage loans are originated to low-income borrowers, A reasonable level was extended to moderate-income borrowers. The majority of small business loans go to businesses with revenues less than \$1 million and the majority of the loans are \$100,000 or less.

FFIEC Table 12a borrower distribution of small loans to farms was excluded from the analysis, due to the urban nature of the Bank's assessment area. The Bank did not originate any small farm loans.

#### Other Lending

FFIEC Table 1- Other Products were excluded because the Bank did not present other optional loans for evaluation. If data was presented, FFIEC Table 13, also excluded, would have reflected the geographic and borrower distribution of consumer loans.

### **IV. Community Development Lending**

Walpole Co-operative Bank did not make any qualified community development loan during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

## **V. Innovative or Flexible Lending Practices**

Walpole Co-operative Bank continues to participate in loan programs aimed at meeting the credit needs of low and moderate-income individuals, first time homebuyers and small businesses. These programs are detailed below.

### First Time Homebuyer

The Bank participates in several different programs through Freddie Mac which allows the Bank to offer affordable loan products with reduced down payments and flexible qualifying ratios for first-time homebuyers. The Bank currently offers the Affordable Gold Alt. 97 loan program, Affordable Gold 97, Affordable Gold 5, Affordable Gold 3/2, Mass Advantage Loans, Mass Advantage 100, My Community Loans, and My Community 100 Plus. During 2002, the Bank originated three loans totaling \$459,385. In 2003, the bank originated one loan totaling \$297,500.

### Small Business Administration (SBA)

Walpole Co-operative Bank continues to be a participating SBA lender. The following is a description of SBA programs the bank offers:

- The LowDoc program is 90 percent guaranteed by the SBA, which focuses on the character, credit, and business experience of the applicant, rather than availability of collateral. In addition, documentation requirements are minimal.
- The 7a program provides start-up costs to small businesses. The Bank funds the entire loan, with SBA guaranteeing between 75 percent and 90 percent, depending on the use of the loan proceeds.
- The 504 program offers a guarantee of up to 50 percent of the small business loan.

Under these programs, the Bank originated 2 loans totaling \$1,127,000 in 2002. In 2003, the Bank originated 1 loan totaling \$350,000.

### Reverse Mortgages

The Bank participates in the Homeowner Options for Massachusetts Elders (HOME) program which offers counseling on housing issues to help low and moderate-income elderly homeowners to use the equity in their real estate for home improvements and living expenses. This program features a reduced interest rate, no points, low closing costs, and flexible underwriting terms.

## **VI. Fair Lending Policies and Practices**

The Bank's lending and compliance policies address fair lending issues. The policies address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, Equal Credit Opportunity Act, the Consumer Protection Regulation, and Home Mortgage Disclosure Act.

All employees are provided with training appropriate to their job description and their responsibilities with fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The Bank has an established program of taking a second look at residential real estate, home equity loans, and small business loans that are slated for denial. A secondary review of adverse action decisions are completed by the Bank's second review committee which consists of the Bank's CRA Officer.

The Bank's Compliance Officer conducts comprehensive reviews of the HMDA/LAR and Small Business Loan Register to check for accuracy on a quarterly basis. In addition, the Compliance Officer conducts periodic fair lending audits and CRA audits.

A fair lending review was performed as part of the examination to ensure compliance with the governing fair lending regulations. The review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

### **Minority Application Flow**

Walpole Co-operative Bank's assessment area contains 299,784 individuals, 11,259 or 3.8% of whom are minorities. The assessment area's minority population is 0.1% Native American, 1.5% Asian, 1.1% Black, 1.0% Hispanic and 0.1% Other based on 1990 demographic data. According to the 2000 census, the assessment area contains 333,111 individuals, 22,437 or 6.7% of whom are minorities. Based on 2000 statistics, the area's minority population is 0.1% Native American, 2.7% Asian, 1.5% Black, 1.5% Hispanic, and 0.9% Other.

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. The Bank received 283 residential loan applications from within its assessment area. During this period, 5 applications or 1.7% were received from minorities. Of the 5 applications received, 3 or 60.0 percent resulted in originations. The Bank's minority application flow appears below to the racial composition of its assessment area using 1990 and 2000 Census information.

Refer to the following table for further details.

Distribution of Home Mortgage Loan Applications by Race									
Race	Racial Demographics Per 1990 Census Data (By %)	2002 Aggregate Lending Data (% of #)	2002 Bank Data		Racial Demographics Per 2000 Census Data (By %)	2003 Bank Data*		Total	
			#	%		#	%	#	%
Native American	0.1	0.2	0	0.0	0.1	0	0.0	0	0.0
Asian	1.5	1.9	1	0.8	2.7	2	1.3	3	1.1
Black	1.1	0.6	0	0.0	1.5	0	0.0	0	0.0
Hispanic	1.0	0.5	0	0.0	1.5	0	0.0	0	0.0
Joint Race **	-	1.0	1	0.8	-	0	0.0	1	0.3
Other	0.1	1.0	1	0.8	0.9	0	0.0	1	0.3
<b>Total Minority</b>	<b>3.8</b>	<b>5.2</b>	<b>3</b>	<b>2.4</b>	<b>6.7</b>	<b>2</b>	<b>1.3</b>	<b>5</b>	<b>1.7</b>
White	96.2	61.0	113	89.0	93.3	151	96.8	264	93.3
NA	-	33.8	11	8.6	-	3	1.9	14	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>127</b>	<b>100.0</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>283</b>	<b>100.0</b>

Source: HMDA LAR, CRA Wiz. \*\* Refers to mixed racial composition of joint applicants.

An analysis was also performed comparing the Bank's application flow levels in 2002 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information for 2002 indicated that, of the 53,344 HMDA-reportable applications received by all other lenders within the Bank's assessment area in 2002, 5.2 percent were from minorities: 0.2 percent from American Indians, 1.9 percent from Asians, 0.6 percent from Blacks, 0.5 percent from Hispanics, 1.0 percent Joint applicants and 1.0 percent from Other Minorities. The bank received 127 applications during the same period. Of these, 2.4 percent were from minorities: 0.8 percent from Asians and 0.8 percent from Joint applicants. Walpole Co-operative Bank's minority application flow when compared to the other lenders within the assessment area is below the aggregate.

## VII. Loss of Affordable Housing

The Bank offers credit products with flexible lending criteria, which has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

## CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Walpole Co-operative Bank has demonstrated an adequate responsiveness to the assessment area's credit needs. A substantial majority of the Bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The Bank's lending also demonstrates a reasonable distribution of loans among individuals of different income



levels. The Bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has granted no community development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the Bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of Satisfactory.

## **INVESTMENT TEST**

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Walpole Co-operative Bank is rated “Satisfactory” in this area. The following describes the institution’s qualified investments.

### **Charitable Contributions**

The Bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During fiscal year 2002, the Bank provided \$52,000 in charitable contributions, \$21,025 or 40.4% was in qualified contributions, in support for development of facilities which promote community development, as defined under the CRA regulation. During fiscal year 2003, the Bank provided \$137,700 in charitable contributions, \$78,475 or 57.0% was qualified contributions. The following are examples of these contributions.

### **Consumer Credit Counseling Services (CCCS)**

CCCS of Southern New England is a non-profit agency that provides counseling to individuals experiencing financial hardship. Educational training is also provided in an effort to help these individuals achieve their financial goals. Approximately, 56 percent of CCCS’s clients are low or moderate-income individuals. CCCS maintains two offices that are located within the bank’s assessment area. These offices are located in Waltham and Woburn.

### **YMCA of Greater Boston**

The YMCA provides transitional and permanent housing for displaced, homeless, battered women, recovering substance abusers, and mentally and physically handicapped economically disadvantaged women. After-school and membership assistance programs are targeted to low-income families in the Greater Boston region. Approximately 90 percent of the children served by this organization are from low-income families and/or receive financial assistance.

### **Walpole Council on Aging**

The Bank is a significant supporter of the Council on Aging. The Council is a division of town government responsible for addressing the needs of the community’s population who are 60 years of age or older. The council provides outreach, transportation, nutrition, health, legal, and fuel assistance as well.

### **Massachusetts Bankers Association Charitable Foundation**

The foundation, supported by its 220 member banks, distributes grants over eight geographic regions, giving awards to deserving health and social service agencies throughout the Bay State.

### **Homeowner Options for Massachusetts Elders (HOME)**

This organization provides counseling and reverse mortgage assistance for elders and their families.

### **CONCLUSION (Investment Test)**

As depicted above, Walpole Co-operative Bank has an adequate level of qualified community development grants, and has exhibited a fair responsiveness to credit and community economic development needs based on the opportunities in the assessment area. Therefore, the Bank's investment performance is rated Satisfactory.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Walpole Co-operative Bank's service activities are "Satisfactory".

The Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The Bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank have provided a reasonable level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. However, officers and employees of the Bank provide a less than adequate level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

### **Retail Banking Services**

#### ***Distribution of Branches***

Walpole Co-operative Bank is located at 982 Main Street, Walpole Massachusetts, a middle-income census tract.

Branch hours are convenient and comparable to other institutions, and services of the Bank are more than sufficient to meet the needs of the assessment area. Office hours for the branch are 8:30 a.m. to 5:00 p.m. Monday through Friday and 9:00 a.m. to 12:00 p.m. on Saturday.

An ATM is located at the branch. The Bank's ATM is linked to the SUM network, which allows non-Walpole Co-operative Bank ATM cardholders of other SUM network institutions free use of Walpole Co-operative Bank's ATM. Conversely, Walpole Co-operative Bank customers can use other Sum network ATMs without being assessed a surcharge by the other institutions. In addition, the ATM network is linked to the NYCE networks. The Bank also had a relationship with Fleet Bank that allowed all Walpole Co-operative Bank customers to use any Fleet ATM free of charge. The Bank would pick up the cost incurred to Fleet Bank on behalf of its customers.

#### ***Record of Closing Branches***

The Bank maintains a Branch Office Closing and Opening policy. The policy details the procedures the Bank will follow before closing or opening a branch office. No branches have been closed or open since the previous examination.

## ***Alternative Banking Services***

The Bank operates a toll-free, 24-hour telephone service. This feature enables customers to obtain current account balances, verify the dates and amounts of recent transactions, learn if a personal check has been paid, transfer funds between accounts, make payments on consumer or mortgage loans, and obtain information about deposit account and loan rates.

Walpole Co-operative Bank also offers on-line banking at [www.walpolecoop.com](http://www.walpolecoop.com). This feature gives customers the ability to manage one's finances from a home or office computer, free of charge. Customers can review checking and savings accounts, check account balances, make loan payments, transfer funds between accounts, view account histories, and view paid check imaged online. Customers can also sign up for the bill pay feature, which enables customers to pay their bills online. This feature costs \$6.00 a month for an unlimited amount of transactions.

Banking by mail is also available for opening and closing accounts, deposits and withdrawals, loan payments, transfers, and CD rollovers. The Bank provides customers with pre-paid postage envelopes for all mail transactions originated in the United States.

## ***Other Services***

A variety of deposit products, loan products and business services are available at Walpole Co-operative Bank. The Bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the Bank.

Walpole Co-operative Bank offers a full range of business banking products and services. These services include business checking, business savings, certificate of deposit accounts, merchant card services, and night deposit service. Commercial loan products include commercial real estate loans, letter of credit, lines of credit, secured loans, term loans, and SBA and other guaranteed loan programs.

## **COMMUNITY DEVELOPMENT SERVICES**

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Walpole Co-operative Bank's qualified community development services demonstrate a low level of community development service with few of the Bank's officers providing their technical expertise, experience and judgment to these organizations.

Bay Colony Development Corp: is a Small Business Administration certified development company whose purpose is to stimulate economic development through the creation and preservation of jobs by providing healthy companies with fixed asset financing at affordable rates and reasonable terms. Bay Colony had funded loans to well over 500 growing businesses throughout Massachusetts. A Vice President of the Bank serves on its Advisory Board.

Massachusetts Housing Finance Agency: The Bank's Mortgage Loan Officer counsels customers that wish to avail themselves to the affordable loan products available through this agency.

Walpole Scholarship Foundation: The Bank's Branch Manager is a trustee of this organization. The Bank is also the main sponsor for the annual fundraising event.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area including the Walpole Chamber of Commerce and the Neponset Valley Chamber of Commerce.

### **Educational Seminars**

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the Bank during 2002 and 2003. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

In 2003, the Bank sponsored a credit/security seminar in conjunction with the HOME. Topics that were discussed at the seminar included ways that the elderly can protect themselves from unscrupulous lenders as well as ways to protect themselves from identity fraud.

### **CONCLUSION (Service Test)**

As illustrated above, officers and employees of Walpole Co-operative Bank demonstrated a less than adequate level of service activity and involvement in community organizations throughout its assessment area. The Bank's products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of "Satisfactory" is warranted.

## **APPENDIX A**

**SCOPE OF EXAMINATION:** Walpole Co-operative Bank has one assessment area that was reviewed on-site using the Large Bank CRA evaluation Procedures. The evaluation included an assessment of the Bank's performance within the assessment area, which included the Boston-MA Metropolitan Statistical Area. A review of the Divisions records, as well as the Bank's CRA Public File, did not reveal any adverse comments relating to the Bank's CRA performance since the prior examination. The period under review is January 1, 2002 through December 31, 2003. Residential lending activity as reported on the 2002 and 2003 HMDA/LAR and small business loan data reported on the 2003 CRA Loan Application Register as well as internal analysis for 2002.

## APPENDIX B

### FFIEC Interagency Core CRA public Evaluation Tables

#### OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “subtables”.

##### Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30<sup>th</sup> of each year.

##### Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

#### LENDING PRODUCTS\*

Table 2 and 2a: Geographic Distribution\*\* of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

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\* Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

\*\* None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.



#### Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

#### Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

#### Table 8 and 8a: Borrower Distribution of Home Purchase Loans

#### Table 9 and 9a: Borrower Distribution of Home Improvement Loans

#### Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

#### Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

#### Table 12 and 12a: Borrower Distribution of Small Loans to Farms

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less or .

- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**WALPOLE CO-OPERATIVE BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 15, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.